



UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2020

Auditor of Public Accounts
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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 25, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Donna Price Henry
Chancellor, University of Virginia's College at Wise

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Chancellor of the **University of Virginia's College at Wise (UVA Wise)**, solely to assist the College in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the College is in compliance with National Collegiate Athletic Association (NCAA) Constitution 6.2.3, for the year ended June 30, 2020. College management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) and the Schedule's compliance with NCAA requirements. The sufficiency of the procedures is solely the responsibility of the College. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

Procedures described below were limited to material items. For the purpose of this report, and as defined in the agreed-upon procedures, items are considered material if they exceed four percent of total revenues or total expenses, as applicable. The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed the relationship of internal control over intercollegiate athletics programs to internal control reviewed in connection with our audit of the College's financial statements. In addition, we identified and reviewed those controls unique to Intercollegiate Athletics, which were not reviewed in connection with our audit of the College's financial statements.
2. Intercollegiate Athletics department management provided a current organizational chart. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, protection of records and equipment, and controls regarding information systems with the information technology department.
3. Intercollegiate Athletics department management provided us with their process for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the College's intercollegiate athletics programs. We tested these procedures as noted below.

Affiliated and Outside Organizations

4. Intercollegiate Athletics department management identified all related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics department management prepared and provided to us a summary of revenues and expenses for or on behalf of the College's intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. Intercollegiate Athletics department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. Intercollegiate Athletics department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2020, as prepared by the College and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule to management's trial balance worksheets, and agreed the amounts in management's trial balance worksheets to the Intercollegiate Athletics department's accounts in the accounting records. Certain adjustments to the Schedule were necessary to conform to

NCAA reporting guidance. We discussed the nature of adjusting journal entries with management and are satisfied that the adjustments are appropriate.

8. We compared each major revenue and expense account over ten percent of total revenues or total expenses, respectively, to prior period amounts and budget estimates. Variances exceeding ten percent of prior period amounts or budget estimates are explained below:

<u>Line Item</u>	<u>Explanation</u>
Direct Institutional Support	Athletics received an additional \$203,000 from the College for athletic aid during fiscal year 2020, which was offset by decreases in overall direct institutional support provided by the College when compared with fiscal year 2019. As a result, the College experienced a decline of \$290,594 (22.24%) in the direct institutional support line item for fiscal year 2020.
Athletic Student Aid	This operating expense increased by \$288,564 (21.63%) over the prior year due to a policy change restricting room waivers to athletes. Per NCAA reporting guidance, aid awarded to student-athletes because of their participation in athletics should be recognized as athletic student aid in the Schedule.

Revenues

9. We obtained the amount of ticket sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
10. We obtained documentation of the institution's methodology for allocating student fees to intercollegiate athletics programs. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be in agreement.
11. We compared amounts reported in the Schedule for direct institutional support to institutional budget transfer documentation and/or other corroborative supporting documentation and noted them to be substantially in agreement.
12. We ensured the Schedule properly includes revenue related to debt service paid by the institution for or on behalf of athletics. The amount was deemed to be immaterial for detailed testing.

13. Intercollegiate Athletics department management provided us with a listing of all contributions of moneys, goods or services received directly by the intercollegiate athletics programs from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. Except for contributions received from the UVA Wise Foundation Inc., an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics programs. We reviewed contributions from the UVA Wise Foundation Inc., which exceeded ten percent of all contributions and agreed them to supporting documentation.
14. We obtained the amount of in-kind revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
15. We obtained the amount of NCAA distribution revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
16. The UVA Wise Foundation Inc. manages athletics-related endowment funds on behalf of the College. The College has access to request endowment income from the Foundation in accordance with certain budgetary restrictions. We confirmed the amount of athletics restricted endowment and investments income used for operations during the fiscal year with Foundation management and agreed it to the amount reported in the Schedule.

Expenses

17. Intercollegiate Athletics department management provided us a listing of institutional student aid recipients during the reporting period. Since the College used the NCAA Compliance Assistant software to prepare athletic aid detail, we selected ten percent of individual student-athletes across all sports and obtained the students' account detail from the institution's student information system. We agreed each student's information to the information reported in the NCAA Membership Financial Reporting System via Compliance Assistant. We also ensured that the total aid amount for each sport agreed to amounts reported as financial aid in the student accounting system.
18. We obtained the amount of game guarantee expense reported in the Schedule. The amount was deemed to be immaterial for detailed testing.
19. Intercollegiate Athletics department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the College during the reporting period. We selected and tested individuals, including football and men's and women's basketball coaches, and compared amounts paid during the fiscal year from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.

20. We obtained the Intercollegiate Athletics department's written recruiting and team travel policies from Intercollegiate Athletics department management and documented an understanding of those policies. We compared these policies to existing College and NCAA policies and noted substantial agreement of those policies.
21. We selected a sample of disbursements for team travel and sports equipment, uniforms, and supplies. We compared and agreed the selected operating expenses to adequate supporting documentation. We identified two transactions for which there was no evidence of approval and three transactions totaling \$7.92 which required reclassification. Following reclassification of these amounts to direct overhead and administrative expenses, we determined these items to be properly classified.
22. We obtained the amount of athletic facility debt service, leases and rental fees included in the Schedule. The amounts were deemed to be immaterial for detailed testing. However, we identified a \$200 payment included in athletic facility debt service, leases and rental fees, which should have been included within memberships and dues expense. Management reclassified the amount to the appropriate line item for the final Schedule.
23. The College charges its auxiliary enterprises a share of administrative and overhead costs based upon a calculated indirect cost rate to comply with requirements established in the Appropriation Act effective for each biennium; However, Chapter 1289 of the 2020 General Assembly session, § 3-4.01, includes a provision that waives the required transfer of indirect cost from auxiliary enterprises to the College for fiscal year 2020. In accordance with the NCAA agreed-upon procedures, the Schedule should include benefits received by Intercollegiate Athletics where the College paid for the associated benefits on behalf of Athletics or did not charge Athletics for certain costs. A revision of \$449,926 was made to reflect the waiver of the indirect cost transfer by recording Indirect institutional support revenue and Indirect cost paid to the institution by athletics. After adjustment, we determined that indirect costs are properly reported in the Schedule.

Other Reporting Items

24. We obtained general ledger detail for Conference realignment expenses and compared the amount to the total expenses reported in the Schedule. We reviewed the invoice for the final conference entrance fee payment to validate existence of the transaction and accuracy of recording and recalculated totals.
25. We obtained the amount of outstanding Intercollegiate Athletics debt during the reporting period and agreed to supporting documentation.
26. We agreed total outstanding institutional debt to supporting information provided by the University of Virginia's Debt Management staff. We audit the University's outstanding debt obligations, which include the obligations outstanding for the College, each year during the University's annual financial statement audit.

27. We agreed the fair value of athletics-dedicated endowments to supporting documentation provided by the College from its accounting information system.
28. We agreed the fair value of institutional endowments to supporting documentation provided by the College from its accounting information system.
29. We obtained a schedule of athletics related capital expenditures made during the period. We determined that \$14,335 of equipment expenses were omitted from the Schedule. After adjustment, we determined athletics-related capital expenditures to be properly reported in the Schedule.

Additional Procedures

30. We compared the sports sponsored, as reported in the NCAA Membership Financial Reporting System, to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from the NCAA's Compliance Assistant software for the institution. We noted agreement of the sports reported.
31. We compared total current year grants-in-aid revenue distribution equivalencies to total prior year reported equivalencies per the NCAA Membership Financial Report submission and noted variations exceeding four percent when compared to prior year. The 20.12 percent increase in revenue distribution equivalences relates to a College policy change restricting room waivers to athletes and increasing the amount of countable athletic student aid.
32. We obtained the institution's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports identified by the institution met the minimum requirements for number of contests and minimum number of participants as defined in NCAA Bylaw 20.10.3.3 or qualified for the extraordinary blanket waiver per NCAA guidance due to the COVID-19 pandemic. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.
33. We compared the current number of sports sponsored to the prior year total reported in the College's NCAA Membership Financial Report submission and noted no variations when compared to prior year.
34. We obtained a listing of student-athletes receiving Pell grant awards from the institution's student information system and agreed the total value of these Pell grants to the amount reported in the NCAA Membership Financial Reporting System. We noted agreement of the amounts reported.

35. We compared the total number of Pell grant awards in the current year to the number reported in the prior year NCAA Membership Financial Report submission. We noted no variations greater than 20 grants when compared with the prior year.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, or had we conducted an audit of any financial statements of the Intercollegiate Athletics department of UVA Wise in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the College. This report relates only to the accounts and items specified above and does not extend to the financial statements of UVA Wise or its Intercollegiate Athletics department taken as a whole.

This report is intended solely for the information and use of the Chancellor and the College and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

JRQ/clj

THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2020

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
<u>Operating revenues:</u>						
Ticket sales	\$ 9,890	\$ 2,652	\$ 2,188	\$ -	\$ -	\$ 14,730
Student fees	332,767	172,205	163,794	790,336	956,098	2,415,200
Direct institutional support	12,450	15,325	13,675	-	974,399	1,015,849
Indirect Institutional Support	-	-	-	-	449,926	449,926
Indirect institutional support - athletic facilities debt service, lease and rental fees	-	-	-	-	54,522	54,522
Contributions	445,919	30,451	17,408	123,436	505,617	1,122,831
In-Kind	5,077	129	129	-	5,076	10,411
NCAA distributions	-	-	-	-	9,456	9,456
Athletics restricted endowment and investments income	25,303	-	-	-	186,281	211,584
Total operating revenues	<u>831,406</u>	<u>220,762</u>	<u>197,194</u>	<u>913,772</u>	<u>3,141,375</u>	<u>5,304,509</u>
<u>Operating expenses:</u>						
Athletic student aid	684,127	167,965	140,089	611,243	19,157	1,622,581
Guarantees	-	6,335	-	-	-	6,335
Coaching salaries, benefits, and bonuses paid by the University and related entities	430,980	128,888	115,608	490,959	-	1,166,345
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	-	-	-	-	615,482	615,482
Recruiting	24,316	14,859	5,580	14,867	828	60,450
Team travel	60,448	39,797	30,365	159,987	2,948	293,545
Sports equipment, uniforms, and supplies	147,392	15,310	17,350	97,252	29,062	306,366
Game expenses	16,498	16,443	16,368	26,720	5,785	81,814
Fundraising, marketing and promotion	1,733	1,558	974	5,948	45,082	55,295
Sports camp expenses	680	10,675	4,844	10,401	1,484	28,084
Spirit groups	-	-	-	-	7,374	7,374
Athletic facility leases and rental fees	-	-	-	900	-	900
Athletic facility debt service	-	-	-	-	54,522	54,522
Direct overhead and administrative expenses	7,341	531	2,553	15,918	160,675	187,018
Indirect cost paid to the institution by athletics	-	-	-	-	449,926	449,926
Medical expenses and insurance	-	434	-	2,387	163,040	165,861
Memberships and dues	44	1,201	1,783	4,074	54,616	61,718
Student-Athlete Meals (non-travel)	36,131	6,928	5,927	9,123	3,409	61,518
Other operating expenses	21,889	4,739	720	33,733	8,999	70,080
Total operating expenses	<u>1,431,579</u>	<u>415,663</u>	<u>342,161</u>	<u>1,483,512</u>	<u>1,622,389</u>	<u>5,295,214</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (600,173)</u>	<u>\$ (194,901)</u>	<u>\$ (144,967)</u>	<u>\$ (569,740)</u>	<u>\$ 1,518,986</u>	<u>\$ 9,295</u>
<u>Other Reporting Items:</u>						
Conference realignment expenses						\$ 30,000
Total athletics-related debt						\$ 120,198
Total institutional debt						\$ 18,581,071
Value of athletics-dedicated endowments						\$ 5,453,204
Value of institutional endowments						\$ 83,726,799
Total athletics-related capital expenditures						\$ 14,335

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this Schedule.

UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2020

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of intercollegiate athletic programs has been prepared on the accrual basis of accounting. The purpose of this Schedule is to present a summary of operating revenues and expenses of the intercollegiate athletic programs of the College for the year ended June 30, 2020. The Schedule includes those intercollegiate athletic expenses made on behalf of the College's athletics programs by outside organizations not under the accounting control of the College. This Schedule includes a selected portion of the College's activities and is not intended to and does not present either the financial position or changes in net assets for the year then ended. Revenues and expenses are directly identifiable with each category presented and are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-program Specific."

2. AFFILIATED ORGANIZATIONS

The University of Virginia's College at Wise Foundation, Inc. was established in 1991 for the purpose of aiding and supporting the University of Virginia's College at Wise. The Foundation contributed \$1,133,242 to the College during fiscal year 2020. These contributions include \$544,093 for intercollegiate athletic programs student financial assistance, \$578,738 in cash for operating expenses and \$10,411 in non-cash support.

3. CAPITAL ASSETS

Capital assets are stated at cost at date of acquisition, or acquisition value at date of donation in the case of gifts. The College capitalizes construction costs that have a value or cost in excess of \$250,000 at the date of acquisition. Renovations in excess of \$250,000 are capitalized if they significantly extend the useful life of the existing asset. The College capitalizes moveable equipment at a value or cost of \$5,000 and an expected useful life of two or more years. Maintenance or renovation expenses of \$250,000 or more are capitalized only to the extent that such expenses prolong the life of the asset or otherwise enhance its capacity to render service.

Depreciation of buildings, improvements other than buildings, and infrastructure is provided on a straight-line basis over the estimated useful lives ranging from ten to 50 years. Depreciation of equipment and capitalized software is provided on a straight-line basis over estimated useful lives ranging from three to twenty years.

Capital assets related to construction are capitalized as expenses are incurred. Projects that have not been completed as of the date of the statement of net position are classified as Construction in Process. Construction period interest cost in excess of earnings associated with the debt proceeds is capitalized as a component of the capital asset. Capital assets, such as roads, parking lots, sidewalks, and other non-building structures and improvements are capitalized as infrastructure and depreciated accordingly.

A summary of capital asset balances for intercollegiate athletics at June 30, 2020 follows:

Athletic Capital Asset Footnote

Depreciable capital assets:	
Buildings	\$21,377,455
Improvements other than buildings	79,169
Equipment	<u>115,956</u>
Total depreciable capital assets at cost	<u>21,572,580</u>
Less accumulated depreciation:	
Buildings	5,963,909
Improvements other than buildings	75,836
Equipment	<u>9,349</u>
Total accumulated depreciation	<u>6,049,094</u>
Total capital assets for intercollegiate athletics, net of accumulated depreciation	<u><u>\$15,523,486</u></u>

4. LONG TERM DEBT

Wise Athletics Long-Term Debt:

Description	Interest Rate	Maturity	Balance at June 30, 2020
Cash internal loan:			
Wise Football Stadium	4.75%	2023	\$120,198
Long-term debt maturities:			
	Fiscal Year	Principal	Interest
	2021	\$ 49,890	\$ 4,633
	2022	52,312	2,211
	2023	<u>17,996</u>	<u>178</u>
	Total	<u><u>\$120,198</u></u>	<u><u>\$ 7,022</u></u>

5. ADMINISTRATIVE COST RECOVERIES

The College charges auxiliary enterprises for certain services and facility usage. These indirect costs are calculated by using an indirect cost rate established under a program managed by the State Council of Higher Education for Virginia. Athletics, as part of the auxiliary enterprises, is charged their portion based on the expenditures for the fiscal year. The value as projected for FY20 is reported on the Schedule of Revenues and Expenses on both the operating revenues line titled Indirect Institutional Support and the operating expenses revenues line titled Indirect cost paid to the Institution by Athletics. The College has received permission to not charge auxiliary cost recoveries for FY20-FY22 per the General Assembly. <https://budget.lis.virginia.gov/item/2020/1/HB30/Chapter/3/3-4.01/>

UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

As of June 30, 2020

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UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

As of June 30, 2020

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